

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6218

BILL NUMBER: SB 59

NOTE PREPARED: Nov 24, 2008

BILL AMENDED:

SUBJECT: Income Tax Deduction for Pension Distributions.

FIRST AUTHOR: Sen. Walker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides an Adjusted Gross Income Tax deduction for taxable retirement plan distributions that are used to pay expenses related to losses from a severe storm, a tornado, or flooding when a disaster emergency is declared by the Governor.

Effective Date: January 1, 2008 (retroactive).

Explanation of State Expenditures: The Department of State Revenue will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax deduction. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - This bill provides a new Adjusted Gross Income (AGI) tax deduction for any taxable eligible retirement plan distribution that is made to a disaster victim for expenses to address the loss, damage to, or destruction of real or personal property as a result of a disaster emergency. Revenue loss is indeterminable and will depend upon the number of taxpayers claiming the deduction, and the amount of deductions claimed. The revenue loss for a distribution of \$1,000 would be \$34, and for a distribution of \$10,000 it would be \$340. The tax deduction applies to tax years beginning after 2008. Revenue from the AGI Tax on individuals is deposited in the state General Fund.

Background Information - There have been three federally declared disasters in Indiana for 2008. As of November 6, 2008, a total of 63 counties have been approved for federal assistance.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the new deduction for disaster victims will decrease taxable income, counties imposing local option income taxes could potentially experience a minimal decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: Pam Bright, Indiana Department of Homeland Security, 317-232-6632; Federal Emergency Management Agency, <http://www.fema.gov/index.shtm>.

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